



Department of Technology, Management & Budget
Office of Retirement Services

PA 464 RETIREES RETURNING TO WORK

PA 464 of 2012 changes reporting requirements regarding retirees of the Michigan Public School Employees' Retirement System who return to work for a reporting unit, either directly or indirectly. These changes are effective December 27, 2012.

The legislation establishes the Critical Shortage provision and its reporting requirements plus provides reporting requirements for substitute teachers, school improvement facilitators, and instructional coaches. It also requires the Unfunded Actuarial Accrued Liability (UAAL) directly paid by the reporting units (20.96% for FY13) to be paid on earnings to retirees who meet the criteria of these positions and return to work.

WHY THE NEED FOR THIS TYPE OF LEGISLATION?

Hiring retirees back to work without paying the Unfunded Actuarial Accrued Liability (UAAL) results in offloading costs onto other reporting units since their wages are no longer part of the payroll base. This causes a financial loss to the retirement system and results in a corresponding need to raise contribution rates. For retirees who have returned to work and either retired on or after July 1, 2010, or are occupying a critical shortage position, the new law has provisions to avoid offloading these costs. This ensures no harm financially to the retirement system by requiring the payment of the Unfunded Actuarial Accrued Liability (UAAL) on these retirees.

Click on the following link [PA 464 Retirees Returning to Work - Employer Action Guide](#) or go to www.michigan.gov/psru > What's New to get the companion chart of these changes.

PROVISIONS OF THE LAW

Critical Shortage Discipline

The State Superintendent defined the list of critical shortage disciplines for FY12-13, which is available on the Michigan Department of Education website at www.michigan.gov/mde under [Offices > Superintendent > Memos - January 07 2013 - 007 2012-13 Educator Shortage Areas for Employment of Retirees](#).

The Critical Shortage Provision applies to:

- All retirees working directly for a reporting unit (K-12 school districts, intermediate school districts, public school academies, and charter schools), and meet all of the requirements may take advantage of the Critical Shortage Provision. All retirees who have been retired for 12 full months, and have been working in a Critical Shortage position for less than 3 years, must be reported as a Critical Shortage position.

- All retirees, who have been retired at least one month, but not yet 12 months and are working in a position on the Critical Shortage list, are subject to [one-third earnings limit rules, because they don't meet all of the requirements of the Critical Shortage provision](#). *For example - Jane retired on July 1, 2012, and is working for the reporting unit in a critical shortage area, but because she has not been retired 12 full months she is subject to the earnings limit.*
- Retirees who have worked under the Critical Shortage Provision for 3 years, or after July 1, 2014, whichever comes first, are subject to normal working after retirement rules. See www.michigan.gov/orsschools > [After Retirement > Working After You Retire](#).
- Reporting units must pay the pension and healthcare Unfunded Actuarial Accrued Liability (UAAL) contributions (20.96%) on earnings paid to retirees, beginning with the first pay period with a begin date on or after December 27, 2012 according to the reporting unit's payroll calendar.
- Reporting units must include the retiree on the regular retirement reports based on their payroll frequency.
- Retirees who are working directly for a reporting unit in a Critical Shortage position are NOT subject to any earnings limit; the pension and healthcare subsidy are not suspended.

The Critical Shortage provision applies when:

- The retiree is working directly for a reporting unit (K-12 school districts, intermediate school districts, public school academies, and charter schools).
- Regardless of the retirement effective date.
- For a total period not to exceed 3 years for an individual retiree.
- ORS will count the hours reported by the reporting unit the same as hours for an active member are counted until the retiree has accrued a total of 3 years.
- There is only ONE 3 year period regardless of:
 - The number of critical shortage positions the retiree has or is working in; or
 - The number of reporting units the retiree is working in a critical shortage position for.
- If the retiree has previously worked in a position under a prior critical shortage provision (before the current situation), that prior service will count towards the 3-year limit. *For example – Jane worked full-time as a retiree in a critical shortage position in 2009 for 6 months. Now Jane is considering working again in a critical shortage position. She is eligible to continue to work as a retiree under the critical shortage provision for an additional 2 years and 6 months.*

Substitute Teachers retired on or after July 1, 2010

For retirees returning to work ***directly for a reporting unit (K-12 school districts, intermediate school districts, public school academies, charter schools, community colleges, and district libraries) or under any contractual arrangement***

- Reporting units must pay the pension and healthcare Unfunded Actuarial Accrued Liability (UAAL) contributions (20.96%) on earnings paid to retirees beginning with the first pay period with a begin date on or after December 27, 2012 according to the reporting unit's payroll calendar.
- Reporting units must report the retiree earnings to ORS on their regular retirement reports based on their payroll frequency.
- Retiree is subject to [one-third earnings limit rules](#).

- This provision is effective until July 1, 2014, after which normal working after retirement rules apply. See www.michigan.gov/orsschools > [After Retirement > Working After You Retire](#).

School Improvement Facilitator or Instructional Coach retired on or after July 1, 2010

For retirees returning to work ***directly for a reporting unit*** (K-12 school districts, intermediate school districts, public school academies, charter schools, community colleges, and district libraries.)

- Critical Shortage rules apply (see above rules).

For retirees returning to work *under any contractual arrangement that provides for School Improvement Facilitator/Instructional Coach services*

- Reporting units (K-12 school districts, intermediate school districts, public school academies, charter schools, community colleges, and district libraries) must obtain retiree earnings from the third party vendor.
- Reporting units must pay the pension and healthcare Unfunded Actuarial Accrued Liability (UAAL) contributions (20.96%) on earnings paid to retirees beginning with **the first pay period** with a begin date on or after December 27, 2012 according to the reporting unit's payroll calendar.
- Reporting units must report the retiree earnings to ORS on their regular retirement reports based on their payroll frequency.
- Retiree is subject to [one-third earnings limit rules](#).
- This provision is effective until July 1, 2014, after which normal working after retirement rules apply. See www.michigan.gov/orsschools > [After Retirement > Working After You Retire](#).

Core Services apply to retirees on or after July 1, 2010

For retirees who retired on or after July 1, 2010 and [who return to work for a third party in a core service position](#) there is **no change**.

NEXT STEPS

- Identify any retirees working directly for your reporting unit and those contracted through a third party and begin collecting the following data:
 - Earnings
 - Position (Critical Shortage, Substitute Teacher, School Improvement facilitator or Instructional coach)
 - Hired directly or by a third party
- ORS is identifying:
 - A process that allows reporting units to identify retirees and determine corresponding retirement effective dates.
 - A process for reporting retirees.
 - Look for more information to come on these topics.
- UAL contributions are required effective with the first pay period with a begin date on or after December 27, 2012 according to the reporting unit's payroll calendar. Late fees and interest charges on reporting and payment of the contributions associated with PA 464

will not apply during the interim. ORS will communicate when fees will be assessed on these reporting requirements.

For more information on the employer contribution rates, go to www.michigan.gov/psru > [Contribution Rates](#). NOTE: For more information about retirees who return to work directly for a reporting unit, or for a 3rd party in a non-core position, go to www.michigan.gov/orsschools under [Working After Retirement](#).